Douglas Gibbs March 27, 2018 402-471-0051

## LB 738

## Revision: 01 FISCAL NOTE LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised due to adoption of amendment on General File.

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 201	8-19	FY 2019-20				
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$0	\$0	\$49,343	(\$346,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$0	\$0	\$49,343	(\$346,000)			

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 738, as amended by AM1789, amends Nebraska Revised Statutes Section 77-2716 regarding adjustments to income for Nebraska income tax purposes.

The bill provides for the indexing of the amounts used for the social security adjustments to income at the same rate used for the indexing of individual income tax brackets. The current income threshold is \$58,000 for married filing jointly returns and \$43,000 for all other returns.

The percentage of adjustment to be used is determined pursuant to the provisions of section 1(f) of the Internal Revenue Code of 1986, as amended, except in section 1(f)(3)(B) of the code the year 2013 shall be substituted for the year 1992.

The change proposed by the bill, as amended, is now to become effective for tax years beginning January 1, 2020 and thereafter.

The Department of Revenue originally estimated the following fiscal impact to the General Fund:

FY2018-19:	(\$ 346,000)
FY2019-20:	(\$ 1,325,000)
FY2020-21:	(\$ 2,572,000)
FY2021-22:	(\$ 3,937,000)

The Department indicates a one-time programming charge of \$49,343 paid to the Office of the CIO for mainframe costs.

We have no basis to disagree with the Department of Revenue's original estimate of fiscal impact and cost.

With the adoption of AM1789, we now estimate the following fiscal impact to the General Fund:

\$0 (\$346,000) (\$1,325,000) (\$2,572,000)
(\$ 2,572,000) (\$ 3,937,000)

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE					
LB: 738 AM: AGENCY/POLT. SUB: Dept. of Revenue					
REVIEWED BY: Lyn Heaton DATE: 1/23/2018 PHONE: (402) 471-4181					
COMMENTS: No basis upon which to disagree with the Department's analysis.					

## Fiscal Note 2018

State Agency Estimate							
State Agency Name: Department of Revenue					Date Due LFA:	1/22/2018	
Approved by: Tony Fulton		Date Prepared:	1/19/2018		Phone: 471-5896		
	FY 2018-2019		FY 2019-2020		<u>FY 2020-2021</u>		
	<b>Expenditures</b>	Revenue	Expenditures	Revenue	Expenditures	Revenue	
General Funds	\$49,343	(\$346,000)		(\$1,325,000)		(\$2,572,000)	
Cash Funds							
Federal Funds							
Other Funds							
Total Funds	\$49,343	(\$346,000)		(\$1,325,000)		(\$2,572,000)	

LB 738 indexes the federal adjusted gross income threshold for purposes of the Social Security adjustment for tax years beginning or deemed to begin on or after January 1, 2019. The indexing of the threshold is as provided under section 1(f) of the Internal Revenue Code, with a base year of 2017. The current threshold is \$58,000 for married, filing jointly returns and \$43,000 for other returns.

The estimated reduction to General Fund revenues would be as follows:

FY18-19	\$ 346,000
FY19-20	\$ 1,325,000
FY20-21	\$ 2,572,000
FY21-22	\$ 3,937,000

LB 738 will require a one-time programming charge of \$49,343 paid to the OCIO for mainframe costs.

Major Objects of Expenditure							
Class Code	Classification Title	18-19 <u>FTE</u>	19-20 <u>FTE</u>	20-21 <u>FTE</u>	18-19 <u>Expenditures</u>	19-20 <u>Expenditures</u>	20-21 <u>Expenditures</u>
Benefits							
Operating Costs					\$49,343	\$0	\$0
Travel							
Capital Outlay							
Capital Improvements							
Total					\$49,343	\$0	\$0